

CTI INDUSTRIES CORP  
Form DEF 14A  
April 30, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CTI Industries Corporation**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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- “ Fee paid previously with preliminary materials.
- “ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**CTI INDUSTRIES CORPORATION**  
**22160 North Pepper Road**  
**Barrington, Illinois 60010**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO  
BE HELD ON JUNE 22, 2007**

To: Shareholders of CTI Industries Corporation

The annual meeting of the shareholders of CTI Industries Corporation will be held at The Holiday Inn Crystal Lake, 800 South Route 31, Crystal Lake, Illinois, 60014, on June 22, 2007, at 10:00 a.m., Central Standard Time, for the following purposes:

1. To elect 7 directors to hold office during the year following the annual meeting or until their successors are elected (Item No. 1 on proxy card);
2. To approve the adoption of the CTI Industries Corporation 2007 Stock Incentive Plan;
3. To ratify the appointment of Weiser, L.L.P. as auditors of the Corporation for 2007 (Item No. 3 on proxy card); and
4. To transact such other business as may properly come before the meeting.

The close of business on April 27, 2007, has been fixed as the record date for determining the shareholders entitled to receive notice of and to vote at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

April 30, 2007

/s/ Stephen M. Merrick

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Stephen M. Merrick, Secretary

**YOUR VOTE IS IMPORTANT**

**It is important that as many shares as possible be represented at the annual meeting. Please date, sign, and promptly return the proxy in the enclosed envelope. Your proxy may be revoked by you at any time before it has been voted.**

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**CTI INDUSTRIES CORPORATION**  
**22160 North Pepper Road**  
**Barrington, Illinois 60010**

**PROXY STATEMENT**

**Information Concerning the Solicitation**

This statement is furnished in connection with the solicitation of proxies to be used at the Annual Shareholders Meeting (the "Annual Meeting") of CTI Industries Corporation (the "Company"), an Illinois corporation, to be held at 10:00 a.m. Central Daylight Savings Time on June 22, 2007, at The Holiday Inn Crystal Lake, 800 South Route 31, Crystal Lake, Illinois 60014. The proxy materials are being mailed to shareholders of record at the close of business on April 27, 2007.

The solicitation of proxies in the enclosed form is made on behalf of the Board of Directors of the Company.

The cost of preparing, assembling and mailing the proxy material and of reimbursing brokers, nominees and fiduciaries for the out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of shares held of record by such persons will be borne by the Company. The Company does not intend to solicit proxies otherwise than by use of the mail, but certain officers and regular employees of the Company or its subsidiaries, without additional compensation, may use their personal efforts, by telephone or otherwise, to obtain proxies.

**Quorum and Voting**

Only shareholders of record at the close of business on April 27, 2007, are entitled to vote at the Annual Meeting. On that day, there were 2,266,184 shares of Common Stock outstanding. Each share has one vote. A simple majority of the outstanding shares of Common Stock is required to be present in person or by proxy at the meeting for there to be a quorum for purposes of proceeding with the Annual Meeting. Seven directors will be elected by the Company's Common Stockholders at this meeting. The Common Stock does not possess cumulative voting rights, and the election of directors will be by the vote of a majority of shares of Common Stock present in person or by proxy at the Annual Meeting. The approval of the 2007 Stock Incentive Plan and the ratification of auditors will require the vote of a simple majority of the shares of Common Stock present at the Annual Meeting by person or proxy. Abstentions and withheld votes have the effect of votes against these matters. Broker non-votes (shares of record held by a broker for which a proxy is not given) will be counted for purposes of determining shares outstanding for purposes of a quorum, but will not be counted as present for purposes of determining the vote on any matter considered at the meeting.

A shareholder signing and returning a proxy on the enclosed form has the power to revoke it at any time before the shares subject to it are voted by notifying the Secretary of the Company in writing. If a shareholder specifies how the proxy is to be voted with respect to any of the proposals for which a choice is provided, the proxy will be voted in accordance with such specifications. If a shareholder fails to so specify with respect to such proposals, the proxy will be voted "FOR" the nominees for directors contained in these proxy materials, "FOR" proposal 2, and "FOR" proposal 3.

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**Stock Ownership by Management and Others**

The following table provides information concerning the beneficial ownership of the Company's Common Stock by each director and nominee for director, certain executive officers, and by all directors and officers of the Company as a group as of April 27, 2007. In addition, the table provides information concerning the beneficial owners, if any, known to the Company to hold more than 5 percent of the outstanding Common Stock of the Company as of April 27, 2007.

The amounts and percentage of stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission ("SEC") governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days after April 27, 2007. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Percentage of class is based on 2,266,184 shares of Common Stock outstanding as of April 27, 2007.

Name and Address	Shares of Common Stock	Percent of Common Stock
<b>Directors and Officers<sup>(1)</sup></b>	<b>Beneficially Owned<sup>(2)</sup></b>	
Stephen M. Merrick	682,246 <sup>(3)</sup>	27.50% <sup>(4)</sup>
John H. Schwan	678,355 <sup>(5)</sup>	27.36% <sup>(4)</sup>
Howard W. Schwan	226,676 <sup>(6)</sup>	9.56% <sup>(4)</sup>
Brent Anderson	65,385 <sup>(7)</sup>	2.83% <sup>(4)</sup>
Tim Patterson	16,448 <sup>(8)</sup>	*
Steve Frank	15,600 <sup>(9)</sup>	*
Samuel Komar	12,500 <sup>(10)</sup>	*
Bret Tayne 6834 N. Kostner Avenue Lincolnwood, IL 60712	10,925 <sup>(11)</sup>	*
Stanley M. Brown 4227 United Parkway Schiller Park, IL 60176	10,266 <sup>(12)</sup>	*
Michael Avramovich 70 W. Madison Street, Ste 1400 Chicago, IL 60602	1,000 <sup>(13)</sup>	*
John Collins 262 Pine Street Deerfield, IL 60015	1,000 <sup>(14)</sup>	*
All Current Directors and Executive Officers as a group (11 persons)	1,720,401	70.23 <sup>(4)</sup>

\* Less than one percent

- (1) Except as otherwise indicated, the address of each stockholder listed above is c/o CTI Industries Corporation, 22160 North Pepper Road, Barrington, Illinois 60010.
- (2) A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from the date set forth above through the exercise of any option, warrant or right. Shares of Common Stock subject to options, warrants or rights that are currently exercisable or exercisable within 60 days are deemed outstanding for purposes of computing the percentage ownership of the person holding such options, warrants or rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- (3) Includes warrants to purchase up to 151,515 shares of Common Stock at \$3.30 per share, warrants to purchase up to 70,000 shares of Common Stock at \$4.87 per share, and options to purchase up to 5,953 shares of Common Stock at \$2.55 per share granted under the Company's 2002 Stock Option Plan. Also includes 106,000 shares each owned by Mr. Merrick's two adult children as to which Mr. Merrick disclaims beneficial ownership and 212,000 shares held by a trust for the benefit of Mr. Merrick's minor children.
- (4) Assumes the exercise of all warrants and options owned by the named person into shares of Common Stock.
- (5) Includes warrants to purchase up to 101,515 shares of Common Stock at \$3.30 per share, warrants to purchase up to 93,000 shares of Common Stock at \$4.87 per share, and options to purchase up to 5,953 shares of Common Stock at \$2.55 per share granted under the Company's 2002 Stock Option Plan and 477,887 shares of Common Stock.
- (6) Includes warrants to purchase up to 50,000 shares of Common Stock at \$3.30 per share, options to purchase up to 15,873 shares of Common Stock at \$6.30 per share granted under the Company's 1997 Stock Option Plan, options to purchase up to 23,810 shares of Common Stock at \$1.89 per share granted under the Company's 1999 Stock Option Plan and options to purchase up to 14,286 shares of Common Stock at \$2.31 per share granted under the Company's 2002 Stock Option Plan and 122,707 shares of Common Stock.
- (7) Includes options to purchase up to 4,762 shares of Common Stock at \$6.30 per share granted under the Company's 1997 Stock Option Plan, options to purchase up to 17,858 shares of Common Stock at \$1.47 per share, granted under the Company's 2001 Stock Option Plan, options to purchase up to 8,929 shares of Common Stock at \$2.31 per share, options to purchase up to 10,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 23,836 shares of Common Stock.

- (8) Includes options to purchase up to 5,000 shares of Common Stock at \$2.26 per share, options to purchase up to 10,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 1,448 shares of Common Stock.
- (9) Includes options to purchase up to 10,000 of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 5,600 shares of Common Stock.
- (10) Includes options to purchase up to 4,762 shares of Common Stock at \$6.30 per share granted under the Company's 1997 Stock Option Plan, options to purchase 7,500 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 238 shares of Common Stock held by immediate family members.
- (11) Includes options to purchase up to 1,984 shares of Common Stock at \$6.30 per share granted under the Company's 1997 Stock Option Plan, and options to purchase up to 2,976 shares of Common Stock at \$2.31 per share and options to purchase up to 1,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 4,965 shares of Common Stock.
- (12) Includes options to purchase up to 1,984 shares of Common Stock at \$6.30 per share granted under the Company's 1997 Stock Option Plan and options to purchase up to 2,976 shares of Common Stock at \$2.31 per share and options to purchase 1,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan and 4,306 shares of Common Stock
- (13) Includes options to purchase up to 1,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 stock Option Plan.
- (14) Includes options to purchase up to 1,000 shares of Common Stock at \$2.88 per share granted under the Company's 2002 Stock Option Plan.

**PROPOSAL ONE - ELECTION OF DIRECTORS**

Seven directors will be elected at the Annual Meeting to serve for one-year terms expiring on the date of the Annual Meeting in 2008. All directors will be elected by holders of the Company's Common Stock. Each director elected will continue in office until a successor has been elected. If a nominee is unable to serve, which the Board of Directors has no reason to expect, the persons named in the accompanying proxy intend to vote for the balance of those named and, if they deem it advisable, for a substitute nominee.

**THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR" THE SEVEN NOMINEES FOR DIRECTOR NAMED IN PROPOSAL ONE.**



**Information Concerning Nominees**

The following is information concerning nominees for election as directors of the Company as of April 27, 2007. Messrs. John Schwan, Howard Schwan, Merrick, Brown, Collins, Tayne and Avramovich are presently directors of the Company.

JOHN H. SCHWAN, age 63, Chairman. Mr. Schwan has been an officer and director of the Company since January, 1996. Until March 2006, Mr. Schwan was an executive officer of Rapak, L.L.C. or affiliated companies for over 15 years. Mr. Schwan has over 30 years of general management experience, including manufacturing, marketing and sales. Mr. Schwan served in the U.S. Army, 1<sup>st</sup> Air Cavalry Division in Vietnam from 1966 to 1969. Mr. Schwan has a BA from North Park University.

HOWARD W. SCHWAN, age 52, President. Mr. Schwan has been associated with the Company for 26 years, principally in the management of the production and engineering operations of the Company. Mr. Schwan was appointed as Vice President of Manufacturing in November, 1990, was appointed as a director in January, 1996, and was appointed as President in June, 1997.

John Schwan and Howard Schwan are brothers.

STEPHEN M. MERRICK, age 65, Executive Vice President, Chief Financial Officer, and Secretary. Mr. Merrick was President of the Company from January, 1996 to June, 1997 when he became Chief Executive Officer of the Company. In October, 1999, Mr. Merrick became Executive Vice President. Mr. Merrick is of Counsel to the law firm of Vanasco Genelly & Miller of Chicago, Illinois and has been engaged in the practice of law for more than 40 years. Mr. Merrick is also Senior Vice President, Director and a member of the Management Committee of Reliv International, Inc. (Nasdaq), a manufacturer and direct marketer of nutritional supplements and food products.

STANLEY M. BROWN, age 61, Director. Mr. Brown was appointed as a director of the Company in January, 1996. Since March, 1996, Mr. Brown has been President of IRSI, Inc., a manufacturer and lessor of in-room vending systems for hotels and of inventory control equipment for manufacturers. From 1968 to 1989, Mr. Brown was with the United States Navy as a naval aviator, achieving the rank of Captain.

BRET TAYNE, age 48, Director. Mr. Tayne was appointed as a director of the Company in December, 1997. Mr. Tayne has been the Managing Director of Intrepid Tool Industries, LLC, which is a successor to Everede Tool Company, a manufacturer of industrial cutting tools, since January, 1992. Prior to that, Mr. Tayne was Executive Vice President of Unifin, a commercial finance company, since 1986. Mr. Tayne received a Bachelor of Science degree from Tufts University and an MBA from Northwestern University.

MICHAEL AVRAMOVICH, age, 54, Director. Mr. Avramovich is President of the law firm of Avramovich & Associates, P.C. of Chicago, Illinois, and is Professor of Business at North Park University in Chicago and is an Adjunct Professor at The John Marshall Law School. Prior to the practice of law, Mr. Avramovich was an Associate Professor of Accounting and Finance at National-Louis University in Chicago, Illinois. Mr. Avramovich has also worked in various financial accounting positions at Molex International, Inc. of Lisle, Illinois, and at Touche Ross in Chicago. Mr. Avramovich is a licensed CPA, and earned a Bachelor of Arts degree in History and International Relations from North Park University, a Master of Management in Accounting and Information Systems, and Finance from Kellogg Graduate School of Business at Northwestern University, a Juris Doctorate from the John Marshall Law School and an LL.M. in International and Comparative Law from Georgetown University Law Center.

JOHN I. COLLINS, age 47, Director. Mr. Collins is the Chief Administrative Officer and the former Chief Financial Officer of Members United Corporate Federal Credit Union (“MUCFCU”), a \$13 billion wholesale financial institution located in Warrenville, Illinois. Prior to his affiliation with MUCFCU in 2001, Mr. Collins was employed as both a Controller and Chief Financial Officer by Great Lakes Credit Union (“GLCU”), a \$350 million financial institution located in North Chicago, Illinois. Mr. Collins is currently the President of the Illinois Credit Union Executives Society, and is a former member of the Chicago Federal Reserve Bank Advisory Group. Mr. Collins received a Bachelor of Arts degree in Economics, History and English from Ripon College, and a Masters in Business Administration from Emory University. Mr. Collins has also participated in the Kellogg Management Institute and the Consumer Marketing Strategy programs at Northwestern University on a post-graduate basis.

**Executive Officers Other Than Nominees**

BRENT ANDERSON, age 40, Vice President-General Manager, Bag Division. Mr. Anderson has been employed by the Company since January, 1989, and was named Vice President of Manufacturing in 2006. Mr. Anderson has held several managerial positions within the company including Vice President, Manufacturing, Plant Engineer and Plant Manager. In such capacities Mr. Anderson was responsible for designing and/or installing much of the Company’s manufacturing equipment. Mr. Anderson earned a Bachelor of Science Degree in Manufacturing Engineering from Bradley University.

SAMUEL KOMAR, age 50, Vice President of Marketing. Mr. Komar has been employed by the Company since March of 1998, and was named Vice-President of Sales in September of 2001. Mr. Komar has worked in sales for more than 20 years, and prior to his employment with the Company, Mr. Komar was with Bob Gable & Associates, a manufacturer of sporting goods. Mr. Komar received a Bachelor of Science Degree in Sales and Marketing from Indiana University.

TIMOTHY PATTERSON, age 46, Vice President of Finance and Administration. Mr. Patterson has been employed by the Company as Vice President of Finance and Administration since September, 2003. Prior to his employment with the Company, Mr. Patterson was Manager of Controllers for the Thermoforming Group at Solo Cup Company for two years. Prior to that, Mr. Patterson was Manager of Corporate Accounting for Transilwrap Company for three years. Mr. Patterson received a Bachelor of Science degree in finance from Northern Illinois University and an MBA from the University of Illinois at Chicago.

STEVEN FRANK, age 46, Vice President of Sales. Mr. Frank has been employed by the Company in a sales capacity since July, 1996. Mr. Frank was hired as Sales Manager Wholesale Division and in March 1998 was promoted to National Sales Manager and most recently to Vice President of Sales in May 2005. Mr. Frank is responsible for all sales functions of the Novelty Division.

**Committees of the Board of Directors**

The Company's Board of Directors has standing Audit, Compensation and Nominating Committees. The Board of Directors met five times during 2006. No director attended less than 75% of the combined Board of Directors and Committee meetings. The Board has determined that each of Stanley M. Brown, Bret Tayne, Michael Avramovich and John I. Collins are independent based on the application of the rules and standards of The Nasdaq Stock Market.

The Compensation Committee is composed of Stanley M. Brown, John I. Collins and Bret Tayne. The Compensation Committee reviews and makes recommendations to the Board of Directors concerning the compensation of officers and key employees of the Company. The Compensation Committee met three times during 2006.

The Nominating Committee is composed of Stanley M. Brown and John I. Collins. The Nominating Committee identifies and reviews potential candidates for the Board of Directors and makes recommendations concerning potential candidates for the Board of Directors of the Company. The Nominating Committee did not meet separately during 2006.

**Audit Committee**

Since 2000, the Company has had a standing Audit Committee, which is presently composed of Mr. Tayne, Mr. Brown, Mr. Collins and Mr. Avramovich. Each of the members of the Audit Committee is independent based on the application of the rules and standards of The Nasdaq Stock Market and Rule 10a-3(b) under the Securities Exchange Act of 1934. Mr. Avramovich has been designated as, and is, the Company's "Audit Committee Financial Expert" in accordance with Item 407(d) of Regulation S-K and meets the requirements for an audit committee expert as set forth in that item. The Audit Committee held four meetings during fiscal year 2006, including quarterly meetings with management and independent auditors to discuss the Company's financial statements. The Company's Board of Directors has adopted a written charter, as amended, for the Company's Audit Committee, a copy of which is appended to these Proxy Materials and has been posted and can be viewed on the Company's Internet website at <http://www.ctiindustries.com> under the section entitled "Investor Relations." In addition, the Audit Committee has adopted a complaint monitoring procedure to enable confidential and anonymous reporting to the Audit Committee of concerns regarding, among other things, questionable accounting or auditing matters.

**Report of the Audit Committee**

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including but not limited to those matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU §380). In addition, the Committee has discussed with the independent auditors the auditor's independence from management and the Company including the matters in the written disclosures required by the Independence Standards Board.

The Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.